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***ART MUSEUM SUBDISTRICT OF THE  
METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY  
OF ST. LOUIS AND ST. LOUIS COUNTY  
COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020***

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SAINT LOUIS ART MUSEUM

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## Independent Auditors' Report

Board of Commissioners  
Art Museum Subdistrict of the Metropolitan  
Zoological Park and Museum District of the  
City of St. Louis and St. Louis County  
St. Louis, Missouri

### Report On The Combined Financial Statements

We have audited the accompanying combined financial statements of the business-type activities of the Art Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Subdistrict) and its blended component unit, the St. Louis Art Museum Foundation (the Foundation), as of and for the years ended December 31, 2020 and 2019, and the related notes to the combined financial statements, which collectively comprise the Subdistrict's basic financial statements as listed in the table of contents.

### *Management's Responsibility For The Combined Financial Statements*

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Subdistrict and the Foundation as of December 31, 2020 and 2019, and the respective changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of selected pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*RubinBrown LLP*

March 29, 2021



# ART MUSEUM SUBDISTRICT OF THE METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE CITY OF ST. LOUIS AND ST. LOUIS COUNTY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*) For The Years Ended December 31, 2020 And 2019

### Background Information

The Art Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (Subdistrict) and the St. Louis Art Museum Foundation (Foundation) are included within these financial statements. Both entities are tax exempt under section 501(c)(3) of the Internal Revenue Code. The management's discussion and analysis relates to the total of both the activities of the Subdistrict and the Foundation.

The audited financial statements cover the years ended December 31, 2020 and 2019. However, the management's discussion and analysis does include comparisons to the year ended December 31, 2018.

The management's discussion and analysis of the Museum's and Foundation's financial performance provides an overview of the financial activities for the years ended December 31, 2020 and 2019. The management's discussion and analysis should not be taken as a replacement for the financial statements but should be read in conjunction with them to enhance understanding of the organization's financial performance.

### Financial Highlights

- Tax revenue from the Metropolitan Zoological Park and Museum District (Zoo-Museum District) is a result of an allocation of property taxes levied by the Zoo-Museum District on behalf of the Subdistrict per \$100 of assessed valuation equal to 7.23 cents, 7.27 cents and 7.77 cents for the years ended December 31, 2020, 2019 and 2018, respectively.
- Support from the Zoo-Museum District under the accrual basis method was \$24,165,064, \$24,191,107 and \$22,876,522 for the years ended December 31, 2020, 2019 and 2018, respectively.
- The Foundation provided support to the Subdistrict in the amount of \$7,388,138, \$7,345,331 and \$8,028,871 for the years ended December 31, 2020, 2019 and 2018, respectively.

### Financial Statements

The Statement of Net Position includes the assets, liabilities, and net position as of December 31, 2020 and 2019. These statements are prepared under the accrual basis of accounting. The statements of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during each year. The statement of cash flows' primary purpose is to provide information about the cash receipts and payments summarized by operating, noncapital financing, investing, and capital and related financing activities.

The Subdistrict meets the criteria for presenting its financial statements as a government. The Foundation, although legally separate from the Subdistrict, is a blended component unit, reported as a separate business activity and major enterprise fund. Since the Foundation is blended, the two entities are combined and reported as one financial reporting entity.

The Foundation is incorporated under Missouri nonprofit law and its primary purpose is to raise funds for the benefit of the Subdistrict and then subsequently make gifts to the Subdistrict. Its other purpose is to manage the Foundation's endowment portfolio.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis *(Continued)*

**Notes To The Financial Statements**

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Condensed Combined Schedule Of Net Position**

*(In Thousands)*

	2020	2019	2018
<b>Assets:</b>			
Cash and cash equivalents	\$ 58,599	\$ 44,155	\$ 53,263
Due to the Subdistrict from the Zoo-Museum District	2,173	11,945	6,267
Investments	251,918	239,508	210,568
<b>Receivables:</b>			
Tax revenue from the Zoo-Museum District	13,568	13,636	13,104
Contributions	175	401	845
Interest and investment proceeds	324	245	235
Grants	69	64	96
Accounts	91	57	451
Prepaid expenses	765	675	143
Beneficial interest in trust held by others	—	—	66
Inventory held for resale	280	244	274
Capital assets, net	115,531	119,813	123,736
<b>Total assets</b>	<b>443,493</b>	<b>430,743</b>	<b>409,048</b>
<b>Deferred outflows of resources</b>	<b>4,542</b>	<b>2,485</b>	<b>1,036</b>
<b>Liabilities:</b>			
Current liabilities	4,848	2,995	6,385
Noncurrent liabilities	14,824	12,748	18,272
<b>Total liabilities</b>	<b>19,672</b>	<b>15,743</b>	<b>24,657</b>
<b>Deferred inflows of resources</b>	<b>—</b>	<b>195</b>	<b>521</b>
<b>Net Position:</b>			
Net investment in capital assets	115,531	119,813	114,106
Restricted	151,127	146,018	134,801
Unrestricted	161,705	151,459	135,999
<b>Total net position</b>	<b>\$ 428,363</b>	<b>\$ 417,290</b>	<b>\$ 384,906</b>

**Analysis:**

- Cash and cash equivalents increased approximately \$14.4 million during 2020 primarily due to the timing of the drawdown of tax collections held at the Zoo-Museum District. Cash and cash equivalents decreased approximately \$9.1 million in 2019 primarily due to the early redemption of \$9,630,000 of the 2016 Series bond principal.
- Changes in the investment balances are primarily the result of market value changes. Unrealized and realized market investment gains were \$14.7 million and \$31.0 million in 2020 and 2019, respectively.



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis *(Continued)*

- Contributions receivable decreased approximately \$226,000 and \$444,000 for the years ending December 31, 2020 and 2019, respectively, due to receipt of pledge payments.
- The Museum prepaid \$601,000 and \$596,000 for annual coverage for general liability and workers compensation insurance as of December 31, 2020 and 2019, respectively. The increase in prepaid expenses in 2020 is also due to an additional \$50,000 in prepaid software fees and \$35,000 towards the cost of refurbishing restaurant furniture in 2021.
- Noncurrent liabilities increased approximately \$2.1 million in 2020 due to the increase in the net pension liability relating to the Museum employees' participation in the Employees Retirement System of the City of St. Louis pension plan. Noncurrent liabilities decreased approximately \$5.5 million in 2019 due to the early redemption of \$9,630,000 of the 2016 Series bond principal. Current liabilities increased approximately \$1.8 million in 2020 due to the short-term nature of some deferred compensation amounts and decreased \$3.4 million in 2019 due to payment of the 2016 Series bond principal.
- The increase in restricted and unrestricted net position in both 2020 and 2019 is primarily due to market value appreciation of endowment assets.

**Condensed Combined Schedule Of Changes In Net Position**

*(In Thousands)*

	2020	2019	2018
Operating revenues:			
Merchandise sales and admissions	\$ 821	\$ 1,329	\$ 2,534
Members' contributions	3,458	3,929	4,074
Proceeds from deaccessions of collections	17	580	845
Contributions of art	5,770	5,764	5,528
Other earned revenue	129	1,283	3,046
<b>Total operating revenues</b>	<b>10,195</b>	<b>12,885</b>	<b>16,027</b>
Operating expenses:			
Program services	19,009	17,190	19,409
Gallery operations	14,114	14,114	14,801
Management and general	10,271	12,029	13,117
Fundraising	2,516	2,795	3,523
<b>Total operating expenses</b>	<b>45,910</b>	<b>46,128</b>	<b>50,850</b>
Non-operating revenue (expenses):			
Tax revenue from Zoo-Museum District	24,165	24,191	22,876
Contributions and bequests	2,979	4,551	3,255
Grants	69	101	96
Investment income (loss)	19,460	36,620	(13,022)
Bond interest expense	—	(22)	(299)
<b>Total non-operating revenues</b>	<b>46,673</b>	<b>65,441</b>	<b>12,906</b>
Capital contributions and bequests	2	1	204
Additions to permanent endowment	113	185	162
<b>Increase (decrease) in net position</b>	<b>\$ 11,073</b>	<b>\$ 32,384</b>	<b>\$ (21,551)</b>



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
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Management's Discussion And Analysis (*Continued*)

**Analysis:**

- Merchandise sales and admissions decreased \$508,000 in 2020 due to the closure of the Museum for three months in the first half of the year and lower attendance during the last half of the year from concerns and restrictions relating to the COVID-19 pandemic. Merchandise sales and admissions decreased \$1.2 million in 2019 as a result of the blockbuster exhibition, Sunken Cities, ending in 2018. The Museum offered a dedicated retail shop in 2018 featuring exhibition merchandise.
- Members' contributions decreased \$471,000 in 2020 consisting of a \$36,000 decrease in corporate sponsorship, \$288,000 decrease in general membership, and \$147,000 decrease in upper-level membership. Pandemic restrictions and concerns caused a decrease in 2020 general membership revenue resulting from decreased on-site member opportunities at the Museum, decreased on-site sales, and the cancellation of the summer Cars exhibition. Membership contributions decreased \$145,000 in 2019 consisting of a \$207,000 decrease in general membership offset by an increase of \$62,000 in upper-level membership.
- Proceeds from deaccessions decreased in 2020 by \$563,000, and contributions of art increased \$6,000. In 2019, proceeds from deaccessions decreased by \$265,000 and contributions of art increased \$236,000. Deaccessions and gifts of art fluctuate from year to year.
- Other earned revenue decreased \$1.2 million in 2020 due to COVID-19 pandemic concerns and restrictions such as temporary closure of the café and restaurant for most of 2020, reduced parking revenue due to reduced attendance, and less space rentals and catering revenue. Other earned revenue decreased \$1.8 million in 2019 relating to a contract change with restaurant vendors.
- There was a receipt of a large bequest of \$1.5 million in 2019. This is reflected in the increased contributions and bequests from 2018 to 2019 and the decrease in contributions and bequests of \$1.6 million from 2019 to 2020. Contributions and bequests fluctuate from year to year.
- Changes in investment income are primarily driven by changes in market value. Unrealized and realized market investment gains were \$14.7 million and \$31.0 million in 2020 and 2019, respectively.
- The decrease in 2020 operating expenses of \$218,000 is related to COVID-19 pandemic concerns and restrictions such as the cancellation of the annual gala, decrease in shop sales, temporary closure of the restaurant, temporary travel freeze, and less events held during 2020. The decrease in 2019 operating expenses is primarily due to exhibition loan fees and shipping expenses related to the 2018 Sunken Cities exhibition. The 2019 program expenses also include \$7.6 million for art purchases, a decrease of \$2.8 million, as compared to 2018.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

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Management's Discussion And Analysis *(Continued)*

**Schedule Of Capital Assets, Net (Amounts Thousands)**

	2020	2019	2018
Nondepreciable:			
Construction in process	\$ 430	\$ —	\$ —
Depreciable:			
Buildings and building improvements	114,963	119,766	123,630
Furniture, fixtures and equipment	138	47	106
<b>Total capital assets</b>	<b>\$ 115,531</b>	<b>\$ 119,813</b>	<b>\$ 123,736</b>

**Analysis:**

The Subdistrict invested \$115,531 million in capital assets (net of accumulated depreciation) as of the close of the fiscal year. These capital assets consist of construction in process, buildings and building improvements, furniture, fixtures, and equipment.

Additional information on Capital Assets may be found in Note 4 of the financial statements.

Additional information on the Cultural Facilities Revenue Bonds may be found in Note 6 of the financial statements. The bonds payable were paid in full as of February 1, 2019.

**Requests For Information**

These basic financial statements are designed to provide a general overview of the Subdistrict's and Foundation's finances. Questions concerning any information provided in this report should be addressed to the Finance Department, St. Louis Art Museum, One Fine Arts Drive, Forest Park, St. Louis, Missouri 63110-1380.



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF NET POSITION**

Page 1 Of 2  
December 31, 2020

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Museum Subdistrict</u>	<u>Foundation</u>	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents:			
Unrestricted	\$ 28,831,064	\$ 23,613,936	\$ 52,445,000
Restricted	3,283,914	2,870,154	6,154,068
Due from the Metropolitan Zoological Park and Museum District	2,173,477	—	2,173,477
Investments:			
Unrestricted	1,907,359	3,449,000	5,356,359
Restricted	—	918,555	918,555
Receivables:			
Tax revenue from the Metropolitan Zoological Park and Museum District, net of an allowance of \$623,136	13,568,008	—	13,568,008
Unrestricted contributions	—	51,332	51,332
Restricted contributions	—	123,750	123,750
Unrestricted interest and investment proceeds	26,828	193,618	220,446
Restricted interest and investment proceeds	10,491	93,124	103,615
Grants	68,629	—	68,629
Accounts:			
Unrestricted	91,188	—	91,188
Prepaid expenses	764,995	—	764,995
Inventory held for resale	280,184	—	280,184
<b>Total Current Assets</b>	<b>51,006,137</b>	<b>31,313,469</b>	<b>82,319,606</b>
<b>Noncurrent Assets</b>			
Investments:			
Unrestricted	17,244,522	84,571,104	101,815,626
Restricted	6,468,764	137,358,091	143,826,855
Capital assets, net:			
Nondepreciable:			
Construction in process	429,470	—	429,470
Depreciable:			
Buildings and building improvements	114,963,370	—	114,963,370
Furniture, fixtures, and equipment	138,437	—	138,437
<b>Total Noncurrent Assets</b>	<b>139,244,563</b>	<b>221,929,195</b>	<b>361,173,758</b>
<b>Total Assets</b>	<b>190,250,700</b>	<b>253,242,664</b>	<b>443,493,364</b>
<b>Deferred Outflows Of Resources</b>			
Pension contributions	414,785	—	414,785
Changes in assumptions	1,494,052	—	1,494,052
Difference between expected and actual earnings on pension investments	2,001,967	—	2,001,967
Difference between expected and actual experience - pension	219,710	—	219,710
Changes in proportionate share - pension	411,942	—	411,942
<b>Total Deferred Outflows Of Resources</b>	<b>4,542,456</b>	<b>—</b>	<b>4,542,456</b>



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF NET POSITION**

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December 31, 2020

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 786,642	\$ 116,158	\$ 902,800
Accrued expenses	1,467,507	—	1,467,507
Obligations under split-interest agreements	—	57,341	57,341
Other liabilities	2,227,504	193,000	2,420,504
<b>Total Current Liabilities</b>	<b>4,481,653</b>	<b>366,499</b>	<b>4,848,152</b>
<b>Noncurrent Liabilities</b>			
Obligations under split-interest agreements	—	246,859	246,859
Net pension liability	14,024,362	—	14,024,362
Other liabilities	553,387	—	553,387
<b>Total Noncurrent Liabilities</b>	<b>14,577,749</b>	<b>246,859</b>	<b>14,824,608</b>
<b>Total Liabilities</b>	<b>19,059,402</b>	<b>613,358</b>	<b>19,672,760</b>
<b>Net Position</b>			
Net investment in capital assets	115,531,277	—	115,531,277
Restricted:			
Expendable:			
Art acquisition and other	5,082,580	65,981,444	71,064,024
Capital campaign	—	284,268	284,268
Nonexpendable:			
Endowment principal	4,680,589	75,097,962	79,778,551
Unrestricted	42,939,308	111,265,632	154,204,940
Unrestricted - board designated capital reserve	7,500,000	—	7,500,000
<b>Total Net Position</b>	<b>\$ 175,733,754</b>	<b>\$ 252,629,306</b>	<b>\$ 428,363,060</b>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
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CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF NET POSITION**

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December 31, 2019

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents:			
Unrestricted	\$ 19,198,728	\$ 16,776,021	\$ 35,974,749
Restricted	3,425,416	4,754,968	8,180,384
Due from the Metropolitan Zoological Park and Museum District	11,944,835	—	11,944,835
Investments:			
Unrestricted	—	7,471,777	7,471,777
Restricted	—	818,984	818,984
Receivables:			
Tax revenue from the Metropolitan Zoological Park and Museum District, net of an allowance of \$661,434	13,635,761	—	13,635,761
Unrestricted contributions	—	64,845	64,845
Restricted contributions	—	297,000	297,000
Unrestricted interest and investment proceeds	29,995	96,400	126,395
Restricted interest and investment proceeds	11,665	106,843	118,508
Grants	62,914	1,335	64,249
Accounts:			
Unrestricted	56,975	—	56,975
Prepaid expenses	675,302	—	675,302
Inventory held for resale	243,814	—	243,814
<b>Total Current Assets</b>	<b>49,285,405</b>	<b>30,388,173</b>	<b>79,673,578</b>
<b>Noncurrent Assets</b>			
Receivables:			
Restricted contributions	—	39,600	39,600
Investments:			
Unrestricted	18,424,630	76,188,588	94,613,218
Restricted	6,484,815	130,118,725	136,603,540
Capital assets, net:			
Depreciable:			
Buildings and building improvements	119,766,198	—	119,766,198
Furniture, fixtures, and equipment	46,692	—	46,692
<b>Total Noncurrent Assets</b>	<b>144,722,335</b>	<b>206,346,913</b>	<b>351,069,248</b>
<b>Total Assets</b>	<b>194,007,740</b>	<b>236,735,086</b>	<b>430,742,826</b>
<b>Deferred Outflows Of Resources</b>			
Pension contributions	367,514	—	367,514
Difference between expected and actual earnings on pension investments	1,635,719	—	1,635,719
Difference between expected and actual experience - pension	22,627	—	22,627
Changes in proportionate share - pension	458,785	—	458,785
<b>Total Deferred Outflows Of Resources</b>	<b>2,484,645</b>	<b>—</b>	<b>2,484,645</b>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
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**COMBINED STATEMENT OF NET POSITION**

Page 2 Of 2  
December 31, 2019

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,371,810	\$ 454	\$ 1,372,264
Accrued expenses	1,109,265	—	1,109,265
Obligations under split-interest agreements	—	57,341	57,341
Other liabilities	352,259	104,000	456,259
<b>Total Current Liabilities</b>	<b>2,833,334</b>	<b>161,795</b>	<b>2,995,129</b>
<b>Noncurrent Liabilities</b>			
Obligations under split-interest agreements	—	243,668	243,668
Net pension liability	10,353,911	—	10,353,911
Other liabilities	2,149,749	—	2,149,749
<b>Total Noncurrent Liabilities</b>	<b>12,503,660</b>	<b>243,668</b>	<b>12,747,328</b>
<b>Total Liabilities</b>	<b>15,336,994</b>	<b>405,463</b>	<b>15,742,457</b>
<b>Deferred Inflows Of Resources</b>			
Difference between expected and actual experience - pension	194,598	—	194,598
<b>Total Deferred Inflows Of Resources</b>	<b>194,598</b>	<b>—</b>	<b>194,598</b>
<b>Net Position</b>			
Net investment in capital assets	119,812,890	—	119,812,890
Restricted:			
Expendable:			
Art acquisition and other	5,241,307	60,679,263	65,920,570
Capital campaign	—	432,756	432,756
Nonexpendable:			
Endowment principal	4,680,589	74,984,501	79,665,090
Unrestricted	43,726,007	100,233,103	143,959,110
Unrestricted - board designated capital reserve	7,500,000	—	7,500,000
<b>Total Net Position</b>	<b>\$ 180,960,793</b>	<b>\$ 236,329,623</b>	<b>\$ 417,290,416</b>



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
For The Year Ended December 31, 2020**

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
<b>Operating Revenues</b>			
Merchandise sales and admissions	\$ 820,782	\$ 330	\$ 821,112
Members' contributions	—	3,457,448	3,457,448
Proceeds from deaccessions of collections	17,200	—	17,200
Contributions of art	5,769,991	—	5,769,991
Other earned revenue	129,494	—	129,494
<b>Total Operating Revenues</b>	<b>6,737,467</b>	<b>3,457,778</b>	<b>10,195,245</b>
<b>Operating Expenses</b>			
Program services:			
Curatorial and conservation	4,208,604	—	4,208,604
Exhibitions	2,675,134	—	2,675,134
Education and library	1,700,213	—	1,700,213
Accessions of art for collections	10,425,224	—	10,425,224
Gallery operations:			
Building operations and maintenance	10,106,399	—	10,106,399
Protective services	4,007,961	—	4,007,961
Management and general:			
Administration	9,385,712	190,410	9,576,122
Museum shop	695,230	—	695,230
Fundraising:			
Development	2,515,824	—	2,515,824
<b>Total Operating Expenses</b>	<b>45,720,301</b>	<b>190,410</b>	<b>45,910,711</b>
<b>Operating Income (Loss)</b>	<b>(38,982,834)</b>	<b>3,267,368</b>	<b>(35,715,466)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Tax revenue from the Metropolitan Zoological Park and Museum District	24,165,064	—	24,165,064
Contributions and bequests	1,033,322	1,945,598	2,978,920
Grants	68,629	—	68,629
Investment income	1,100,642	18,409,549	19,510,191
Change in value of split-interest agreements	—	(49,655)	(49,655)
Payments from the Foundation (payments to the Subdistrict)	7,388,138	(7,388,138)	—
<b>Total Nonoperating Revenues (Expenses)</b>	<b>33,755,795</b>	<b>12,917,354</b>	<b>46,673,149</b>
<b>Income (Loss) Before Capital Contributions And Bequests And Additions To Permanent Endowment</b>	<b>(5,227,039)</b>	<b>16,184,722</b>	<b>10,957,683</b>
<b>Capital Contributions</b>	<b>—</b>	<b>1,500</b>	<b>1,500</b>
<b>Additions To Permanent Endowment</b>	<b>—</b>	<b>113,461</b>	<b>113,461</b>
<b>Increase (Decrease) In Net Position</b>	<b>(5,227,039)</b>	<b>16,299,683</b>	<b>11,072,644</b>
<b>Net Position - Beginning Of Year</b>	<b>180,960,793</b>	<b>236,329,623</b>	<b>417,290,416</b>
<b>Net Position - End Of Year</b>	<b>\$ 175,733,754</b>	<b>\$ 252,629,306</b>	<b>\$ 428,363,060</b>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
For The Year Ended December 31, 2019**

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
<b>Operating Revenues</b>			
Merchandise sales and admissions	\$ 1,325,091	\$ 3,965	\$ 1,329,056
Members' contributions	—	3,928,981	3,928,981
Proceeds from deaccessions of collections	579,920	—	579,920
Contributions of art	5,763,561	—	5,763,561
Other earned revenue	1,283,660	—	1,283,660
<b>Total Operating Revenues</b>	<b>8,952,232</b>	<b>3,932,946</b>	<b>12,885,178</b>
<b>Operating Expenses</b>			
Program services:			
Curatorial and conservation	4,329,981	—	4,329,981
Exhibitions	3,514,659	—	3,514,659
Education and library	1,707,781	—	1,707,781
Accessions of art for collections	7,637,858	—	7,637,858
Gallery operations:			
Building operations and maintenance	10,527,931	—	10,527,931
Protective services	3,586,023	—	3,586,023
Management and general:			
Administration	10,831,341	259,437	11,090,778
Museum shop	938,410	—	938,410
Fundraising:			
Development	2,794,633	—	2,794,633
<b>Total Operating Expenses</b>	<b>45,868,617</b>	<b>259,437</b>	<b>46,128,054</b>
<b>Operating Income (Loss)</b>	<b>(36,916,385)</b>	<b>3,673,509</b>	<b>(33,242,876)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Tax revenue from the Metropolitan Zoological Park and Museum District	24,191,107	—	24,191,107
Contributions and bequests	919,788	3,630,847	4,550,635
Grants	94,372	6,675	101,047
Investment income	1,347,713	35,269,522	36,617,235
Change in value of split-interest agreements	—	3,226	3,226
Interest expense	(22,516)	—	(22,516)
Payments from the Foundation (payments to the Subdistrict)	7,345,331	(7,345,331)	—
<b>Total Nonoperating Revenues (Expenses)</b>	<b>33,875,795</b>	<b>31,564,939</b>	<b>65,440,734</b>
<b>Income (Loss) Before Capital Contributions And Bequests And Additions To Permanent Endowment</b>	<b>(3,040,590)</b>	<b>35,238,448</b>	<b>32,197,858</b>
<b>Capital Contributions</b>	<b>—</b>	<b>1,500</b>	<b>1,500</b>
<b>Additions To Permanent Endowment</b>	<b>—</b>	<b>185,154</b>	<b>185,154</b>
<b>Increase (Decrease) In Net Position</b>	<b>(3,040,590)</b>	<b>35,425,102</b>	<b>32,384,512</b>
<b>Net Position - Beginning Of Year</b>	<b>184,001,383</b>	<b>200,904,521</b>	<b>384,905,904</b>
<b>Net Position - End Of Year</b>	<b>\$ 180,960,793</b>	<b>\$ 236,329,623</b>	<b>\$ 417,290,416</b>



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2020**

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
<b>Cash Flows From Operating Activities</b>			
Receipts from patrons	\$ 785,408	\$ 3,471,290	\$ 4,256,698
Receipts from deaccessions of collections	17,200	—	17,200
Other operating cash receipts	95,281	—	95,281
Payments to suppliers of goods and services	(14,320,371)	(190,300)	(14,510,671)
Payments to employees	(18,488,930)	—	(18,488,930)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(31,911,412)</b>	<b>3,280,990</b>	<b>(28,630,422)</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash collections of support from Zoo Museum District	33,959,117	—	33,959,117
Payments to (from) the Foundation	7,388,138	(7,388,138)	—
Proceeds from contributions	1,033,022	2,211,910	3,244,932
Investment subject to split-interest agreements	—	60,532	60,532
Net payments for split-interest agreements	—	(57,341)	(57,341)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>42,380,277</b>	<b>(5,173,037)</b>	<b>37,207,240</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments	(7,611,645)	(29,835,437)	(37,447,082)
Investment income	447,188	4,330,580	4,777,768
Proceeds from sale of investments	7,558,241	32,198,670	39,756,911
<b>Net Cash Provided By Investing Activities</b>	<b>393,784</b>	<b>6,693,813</b>	<b>7,087,597</b>
<b>Cash Flows From Capital And Related Financing Activities</b>			
Cash collections of grant support	46,335	1,335	47,670
Proceeds from capital contributions	—	150,000	150,000
Purchase of property and equipment	(1,418,150)	—	(1,418,150)
<b>Net Cash Provided By (Used In) Capital And Related Financing Activities</b>	<b>(1,371,815)</b>	<b>151,335</b>	<b>(1,220,480)</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>9,490,834</b>	<b>4,953,101</b>	<b>14,443,935</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>22,624,144</b>	<b>21,530,989</b>	<b>44,155,133</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 32,114,978</b>	<b>\$ 26,484,090</b>	<b>\$ 58,599,068</b>
<b>Reconciliation Of Operating Income (Loss) To Net Cash From Operating Activities</b>			
Operating income (loss)	\$ (38,982,834)	\$ 3,267,368	\$ (35,715,466)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	5,735,461	—	5,735,461
Write off of contributions receivable	16,579	500	17,079
Provision for uncollectible taxes	45,058	—	45,058
Changes in assets and liabilities:			
Accounts receivable	(34,213)	—	(34,213)
Contributions receivable	—	13,512	13,512
Prepaid expenses	(89,693)	—	(89,693)
Inventory held for resale	(36,370)	—	(36,370)
Accounts payable	(620,866)	(390)	(621,256)
Accrued expenses	358,242	—	358,242
Net pension liability	1,418,041	—	1,418,041
Other liabilities	279,183	—	279,183
Total adjustments	<b>7,071,422</b>	<b>13,622</b>	<b>7,085,044</b>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (31,911,412)</b>	<b>\$ 3,280,990</b>	<b>\$ (28,630,422)</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>			
Accounts payable incurred for capital asset purchases	\$ 394,320	\$ —	\$ 394,320
Unrealized gain on investments	635,244	5,737,229	6,372,473



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
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CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2019**

	Business-Type Activities		
	Museum Subdistrict	Foundation	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from patrons	\$ 1,015,230	\$ 3,922,946	\$ 4,938,176
Receipts from deaccessions of collections	579,920	—	579,920
Other operating cash receipts	1,677,222	—	1,677,222
Payments to suppliers of goods and services	(19,046,062)	(162,744)	(19,208,806)
Payments to employees	(16,788,200)	—	(16,788,200)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(32,561,890)</b>	<b>3,760,202</b>	<b>(28,801,688)</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash collections of support from Zoo Museum District	18,001,004	—	18,001,004
Payments to (from) the Foundation	7,345,331	(7,345,331)	—
Proceeds from contributions	919,788	3,739,176	4,658,964
Investment subject to split-interest agreements	—	11,149	11,149
Net payments for split-interest agreements	—	(66,049)	(66,049)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>26,266,123</b>	<b>(3,661,055)</b>	<b>22,605,068</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments	(5,675,134)	(13,234,105)	(18,909,239)
Investment income	457,515	5,185,899	5,643,414
Proceeds from sale of investments	6,190,826	14,733,284	20,924,110
<b>Net Cash Provided By Investing Activities</b>	<b>973,207</b>	<b>6,685,078</b>	<b>7,658,285</b>
<b>Cash Flows From Capital And Related Financing Activities</b>			
Cash collections of grant support	127,361	5,341	132,702
Proceeds from capital contributions	—	444,928	444,928
Payments on bonds payable	—	(9,630,000)	(9,630,000)
Interest paid	(22,516)	—	(22,516)
Purchase of property and equipment	(1,494,468)	—	(1,494,468)
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(1,389,623)</b>	<b>(9,179,731)</b>	<b>(10,569,354)</b>
<b>Net Decrease In Cash And Cash Equivalents</b>	<b>(6,712,183)</b>	<b>(2,395,506)</b>	<b>(9,107,689)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>29,336,327</b>	<b>23,926,495</b>	<b>53,262,822</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 22,624,144</b>	<b>\$ 21,530,989</b>	<b>\$ 44,155,133</b>
<b>Reconciliation Of Operating Income (Loss) To</b>			
<b>Net Cash From Operating Activities</b>			
Operating income (loss)	\$ (36,916,385)	\$ 3,673,509	\$ (33,242,876)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	5,666,497	—	5,666,497
Write off of contributions receivable	—	76,824	76,824
Provision for uncollectible taxes	(6,387)	—	(6,387)
Changes in assets and liabilities:			
Accounts receivable	393,562	—	393,562
Prepaid expenses	(532,295)	—	(532,295)
Inventory held for resale	30,441	—	30,441
Accounts payable	(3,022,769)	(131)	(3,022,900)
Accrued expenses	143,501	—	143,501
Net pension liability	1,030,604	—	1,030,604
Other liabilities	651,341	10,000	661,341
Total adjustments	4,354,495	86,693	4,441,188
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (32,561,890)</b>	<b>\$ 3,760,202</b>	<b>\$ (28,801,688)</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>			
Accounts payable incurred for capital asset purchases	\$ 358,622	\$ —	\$ 358,622
Unrealized gain on investments	892,946	26,698,751	27,591,697

# ART MUSEUM SUBDISTRICT OF THE METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE CITY OF ST. LOUIS AND ST. LOUIS COUNTY

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## NOTES TO COMBINED FINANCIAL STATEMENTS December 31, 2020 And 2019

### 1. Summary Of Significant Accounting Policies

The Art Museum Subdistrict (the Subdistrict) was established by an act of the Missouri State Legislature in 1971. The Subdistrict operates the Saint Louis Art Museum, and is supported by tax revenue from the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Zoo-Museum District). Support from the Zoo-Museum District represents a continuous appropriation of an allocation of property tax revenues from the City of St. Louis and St. Louis County, which are levied on behalf of the Subdistrict by the Zoo-Museum District. The Subdistrict has no authority to levy taxes on its own.

The following is a summary of the more significant accounting policies:

#### **Reporting Entity**

The Subdistrict's financial reporting entity has been determined in accordance with governmental accounting standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The Subdistrict's financial reporting entity consists of the Subdistrict (the primary government) and its blended component unit, the St. Louis Art Museum Foundation (the Foundation).

The Foundation, a separate legal entity, was incorporated as a Missouri not-for-profit organization to act as an organization for certain of the Saint Louis Art Museum's fundraising activities. Members of the Board of Commissioners for the Subdistrict appoint the members of the Board of Directors for the Foundation. In addition, the Foundation manages the endowment of the Subdistrict and the income and resources generated by the Foundation support the efforts of the Subdistrict. Consequently, the Foundation is included as a blended component unit of the Subdistrict. The financial activity of the Foundation is presented as a separate enterprise fund and in a separate column in the accompanying basic financial statements to emphasize that it is legally separate from the Subdistrict. Separate financial statements of the Foundation are not prepared.

#### **Basis Of Accounting**

The Subdistrict and Foundation prepare their financial statements in accordance with accounting principles generally accepted in the United States of America for business-type activities, as prescribed by The Governmental Accounting Standards Board (GASB). Accordingly, the economic resource measurement focus and the accrual basis of accounting are used. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions (principally tax revenue from the Zoo-Museum District, grants and contributions) are recognized when all applicable eligibility requirements are met.



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
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Notes To Combined Financial Statements (*Continued*)

Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with business-type activities ongoing operations. Revenues from merchandise sales and admissions, proceeds from deaccessions of collections, and members' contributions are reported as operating revenues. All expenses related to operating the Subdistrict or Foundation are reported as operating expenses. Transactions which are capital, financing, or investing related are reported as nonoperating revenues and expenses in its own category in the Statement of Revenues, Expenses and Changes in the Net Position.

**Revenue Recognition**

The Subdistrict recognizes merchandise sales as revenue at the point of sale. The Subdistrict and Foundation recognize members' contributions as revenue when received.

Tax revenue from the Zoo-Museum District represents a continuous appropriation to the Subdistrict by the Zoo-Museum District. Accordingly, the Subdistrict recognizes support from the Zoo-Museum District based on an allocation of property taxes which are levied by the Zoo-Museum District, net of the Zoo-Museum District management fee and an allowance for uncollectible accounts.

The Subdistrict and Foundation recognize contributions, including contributions receivable due in future periods, when the contribution is received and all eligibility requirements, including time requirements, are met.

**Cash And Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents consist of cash on hand and in banks.

**Investments**

The Subdistrict and Foundation's investments are stated at fair value. Fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges.

The Subdistrict and Foundation invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
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Notes To Combined Financial Statements (*Continued*)

**Fair Value Measurements**

The Subdistrict and Foundation categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Capital Assets**

Capital assets of the Subdistrict are recorded at original cost or, if donated, at acquisition value at date of donation. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and building improvements need to increase the value of the building or asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years for furniture, fixtures, and equipment, 10 years for certain building improvements, and 30 to 75 years for buildings.

**Prepaid Expenses**

At December 31, 2020, prepaid expenses represent \$600,926 of payments to vendors for insurance costs and \$164,069 for exhibition deposits.

At December 31, 2019, prepaid expenses represent \$595,515 of payments to vendors for insurance costs and \$79,787 for exhibition deposits.

**Inventory Held For Resale**

Inventory held for resale by the Subdistrict's Museum Shop is stated at the lower of cost or net realizable value, with cost being determined using the first-in, first-out method.

**Collections**

The Subdistrict collects works of art representing many periods and cultures. The Subdistrict's collections, as permitted by accounting principles generally accepted in the United States of America, are not capitalized in the accompanying financial statements because they meet all of the following criteria:

- The collections are held for public exhibition.
- The collection is cataloged, preserved, and cared for, with activities verifying the existence and condition of the collection performed annually.
- The Subdistrict's collections' policy requires the proceeds from the sales of deaccessioned items, which are items removed from the collection, to be used to acquire other objects for the collections.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE  
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Notes To Combined Financial Statements (*Continued*)

The Subdistrict preserves, collects and interprets the collection through curatorial research and educational outreach. The Subdistrict's curatorial, conservation, library and registrarial staff work to interpret and present the permanent collections in the historic galleries of the Beaux Art building and the East Building.

Objects can be acquired, or accessioned, by purchase or by outright gift. Items acquired by outright gift are recorded as operating revenue and accessions of art for collections at their estimated acquisition value in the year of donation.

A summary of the Subdistrict's accessions for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Accessions of art for collections:		
Value of objects acquired by gift	\$ 5,769,991	\$ 5,763,561
Purchase of accessions of art for collections	4,655,233	1,874,297
	<u>\$ 10,425,224</u>	<u>\$ 7,637,858</u>

**Accrued Expenses**

The Subdistrict's accrued expenses balance of as of December 31, 2020 and 2019 represents \$530,760 and \$396,936, respectively, of accrued salaries due to employees, \$61,097 and \$42,288, respectively, of accrued contributions to the Employee Retirement System of the City of St. Louis, and \$875,650 and \$670,041, respectively, of benefit time due to employees. Benefit time is granted to all full-time employees based on years of continuous service. No employee shall be allowed to exceed the maximum carryover of days, based on the employee's years of service, past December 31 of any given year without the written approval of the Director.

**Other Liabilities**

The Subdistrict's other liabilities as of December 31, 2020 and 2019 represent \$2,455,746 and \$2,149,749, respectively, of amounts due under deferred compensation plans, \$0 and \$1,440, respectively, of withholdings from employees and \$325,145 and \$350,819, respectively, of unearned income to be recognized in future periods. The Foundation's other liabilities as of December 31, 2020 and 2019 represent \$193,000 and \$104,000, respectively, of unearned income to be recognized in future periods.

**Deferred Outflows Of Resources**

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. Deferred outflows of resources include pension-related deferrals required by GASB Statement No. 68.



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
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Notes To Combined Financial Statements (*Continued*)

**Deferred Inflows Of Resources**

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. Deferred inflows of resources include pension-related deferrals required by GASB Statement No. 68 and irrevocable split interest agreements required by GASB Statement No. 81.

**Pensions**

Pension-related expenses, liabilities, deferred outflows of resources and deferred inflows of resources have been determined on the same bases as they are reported by the Employees Retirement System of the City of St. Louis (the System). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

The Subdistrict and Foundation's net position is classified for financial reporting purposes in the following categories:

***Net investment in capital assets*** - This component of net position reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended bond proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

***Restricted - Expendable*** - This component of net position includes net position whose use by the Subdistrict or the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Subdistrict or the Foundation.

***Restricted - Nonexpendable*** - This component of net position includes amounts subject to externally imposed stipulations that the assets be maintained permanently by the Subdistrict or the Foundation. Such assets include the Subdistrict or the Foundation's permanent endowment fund. The current spending rate has been set at 4.5% of the trailing five-year (20 quarter) average account balance. If, due to market conditions or other issues, the Director and/or Controller deem it inadvisable to withdraw the entire 4.5% amount during any one year, they will have the authority to either take less than the 4.5%, or to withhold taking any withdrawal from the account during that year. The net amount of appreciation available for authorization of expenditure as of December 31, 2020 and 2019 was \$1,858,408 and \$1,832,670, respectively, reported in restricted expendable net position of the Subdistrict. The net amount of appreciation available for authorization of expenditure as of December 31, 2020 and 2019 was \$63,271,808 and \$56,060,051, respectively, reported in restricted expendable net position of the Foundation. Depending on the presence or absence of donor stipulations as to use, the amount harvested is recorded as a part of unrestricted or restricted - expendable net positions.



**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN  
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Notes To Combined Financial Statements (*Continued*)

***Unrestricted*** - For the Subdistrict, this component of net position includes net positions that are not subject to externally imposed stipulations. For the Foundation, this component of net position includes amounts that are for the support of the Subdistrict, but that are not subject to externally imposed stipulations. Unrestricted net position may be assigned for specific purposes by action of the Board of Commissioners of the Subdistrict or the Board of Directors of the Foundation. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Subdistrict and the Foundation's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

***Assigned*** - For the Subdistrict, this component of net position includes amounts constrained for a specific purpose by a governing board or by a committee or official that has been delegated authority from the governing body to assign amounts. By adopted Board policy, assignments are made by the Board of Commissioners.

**Estimates And Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Subdistrict and Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In December 2019, a new strain of the coronavirus (COVID-19) caused a worldwide pandemic. The impact of the virus varies from region to region and from day to day but additional spreading of the virus during 2020 had some impact on the Subdistrict and Foundation's operations. Necessary operating restrictions resulting from the pandemic continue although vaccinations are currently in progress aimed at slowing the virus and the resulting economic impact. The extent to which the COVID-19 virus will impact the Subdistrict and the Foundation's financial results will depend on future developments and the vaccine's success, which remain uncertain and cannot be predicted at this time.

**Contributed Services**

A substantial number of unpaid volunteers contribute services to the Subdistrict. The estimated value of this contributed time for the year ending December 31, 2020 and 2019 is \$62,400 and \$171,886, respectively. The value of contributed services is not reflected in the accompanying statement of revenues, expenses and changes in net position.

**Reclassifications**

Certain prior year amounts have been reclassified, where appropriate, to conform to current year presentation.



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Notes To Combined Financial Statements (*Continued*)

**Federal Income Tax**

The Subdistrict is exempt from federal income taxes under Sections 115(a) and 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities.

**2. Investments**

All investment decisions of the Subdistrict and Foundation are recommended by the Investment Committee, and made in accordance with the Investment Policy Statement adopted by the Subdistrict and the Foundation in May 2014 and amended December 2016, February 2020, and December 2020.

**Subdistrict**

The Subdistrict's investments are maintained in accordance with state laws governing the investment of public funds; specifically, those contained in Article 6, Section 23 of the Missouri Constitution. As such, the Subdistrict's investments, excluding assets related to deferred compensation plan or which were donated, consist of fixed income securities, specifically municipal bonds, U.S. Treasury and U.S. Agency securities. The Subdistrict's Investment Committee has the responsibility of ensuring compliance with the existing investment policy, monitoring management's compliance with state laws, and recommending any changes to investment custodians, managers or changes to the policy.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Subdistrict's investment policy provides that the Subdistrict's investment pool, excluding assets related to deferred compensation plans or which were donated, should consist entirely of fixed income securities, specifically municipal bonds, U.S. Treasury and U.S. Agency securities, with maturity dates staggered over approximately a five-year maturity.

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Notes To Combined Financial Statements *(Continued)*

As of December 31, 2020 and 2019, the Subdistrict had the following investments and related maturities:

	Fair Value	Investment Maturities (In Years)			
		Less Than One	One To Five	Six To Ten	No Maturity
<b>December 31, 2020</b>					
Investment type:					
U.S. Treasury	\$ 8,416,606	\$ 2,656,642	\$ 5,637,675	\$ 122,289	\$ —
U.S. Agencies	3,125,613	90,410	3,035,203	—	—
Municipal bonds	1,447,408	—	1,447,408	—	—
Mutual funds	2,609,743	—	—	—	2,609,743
<b>Total</b>	<b>\$ 15,599,370</b>	<b>\$ 2,747,052</b>	<b>\$ 10,120,286</b>	<b>\$ 122,289</b>	<b>\$ 2,609,743</b>
<b>December 31, 2019</b>					
Investment type:					
U.S. Treasury	\$ 9,447,965	\$ 2,430,440	\$ 7,017,525	\$ —	\$ —
U.S. Agencies	2,307,225	2,216,281	90,944	—	—
Municipal bonds	1,088,203	—	1,088,203	—	—
Mutual funds	2,299,381	—	—	—	2,299,381
<b>Total</b>	<b>\$ 15,142,774</b>	<b>\$ 4,646,721</b>	<b>\$ 8,196,672</b>	<b>\$ —</b>	<b>\$ 2,299,381</b>

As of December 31, 2020 and 2019, the Subdistrict had the following recurring fair value measurements:

	Fair Value	Fair Value Measurements	
		Level 1	Level 2
<b>December 31, 2020</b>			
Investment type:			
U.S. Treasury	\$ 8,416,606	\$ 8,416,606	\$ —
U.S. Agencies	3,125,613	3,125,613	—
Municipal bonds	1,447,408	—	1,447,408
Mutual funds	2,609,743	2,609,743	—
<b>Total</b>	<b>\$ 15,599,370</b>	<b>\$ 14,151,962</b>	<b>\$ 1,447,408</b>
<b>December 31, 2019</b>			
Investment type:			
U.S. Treasury	\$ 9,447,965	\$ 9,447,965	\$ —
U.S. Agencies	2,307,225	2,307,225	—
Municipal bonds	1,088,203	—	1,088,203
Mutual funds	2,299,381	2,299,381	—
<b>Total</b>	<b>\$ 15,142,774</b>	<b>\$ 14,054,571</b>	<b>\$ 1,088,203</b>



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Notes To Combined Financial Statements (*Continued*)

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's.

The Subdistrict's investment policy requires the average credit quality of the portfolio be maintained at AA- or higher, as rated by Moody's and/or Standard and Poor's. The policy dictates that split-rated issues in which one of the ratings is below investment grade are not permissible.

The following table lists the credit quality ratings per Moody's and/or Standard and Poor's of the Subdistrict's investments as of December 31, 2020 and 2019:

	Fair Value	Quality Ratings	
		AA+	Unrated
<b>December 31, 2020</b>			
Investment type:			
U.S. Agencies	\$ 3,125,613	\$ 3,125,613	\$ —
Municipal bonds	1,447,408	1,447,408	—
Mutual funds	2,609,743	—	2,609,743
<b>Total</b>	<b>\$ 7,182,764</b>	<b>\$ 4,573,021</b>	<b>\$ 2,609,743</b>
<b>December 31, 2019</b>			
Investment type:			
U.S. Agencies	\$ 2,307,225	\$ 2,307,225	\$ —
Municipal bonds	1,088,203	1,088,203	—
Mutual funds	2,299,381	—	2,299,381
<b>Total</b>	<b>\$ 5,694,809</b>	<b>\$ 3,395,428</b>	<b>\$ 2,299,381</b>

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction for investments or a bank failure for deposits, the Subdistrict will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty or bank. The Subdistrict does not have a formal policy related to custodial credit risk of investments or deposits. Protection of the Subdistrict's deposits is provided by the Federal Deposit Insurance Corporation and by eligible securities pledged by the financial institutions. At December 31, 2020 and 2019, \$1,456,390 and \$11,284 of the Museum's bank balance was uninsured and uncollateralized, and thus exposed to custodial credit risk, respectively.

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Notes To Combined Financial Statements (*Continued*)

*Concentration Of Credit Risk*

The Subdistrict's investment policy provides that the Subdistrict's investment pool, excluding assets related to deferred compensation plans or which were donated, should consist entirely of fixed income securities, specifically municipal bonds, U.S. Treasury and U.S. Agency securities.

At December 31, 2020 and 2019, the Subdistrict held the following investments that, individually, were greater than 5% of the Subdistrict's total investments:

Investment Type	2020	2019
Israel Savings Bond	5.65%	0.00%
Fannie Mae	0.00%	8.29%
	<b>6%</b>	<b>8%</b>

Investments, which include \$10,021,275 and \$9,766,671 of certificates of deposit, are reported in the Subdistrict's accompanying statement of net position as of December 31, 2020 and 2019, respectively, as follows:

	2020	2019
Current investments:		
Unrestricted	\$ 1,907,359	\$ —
Noncurrent investments:		
Unrestricted	17,244,522	18,424,630
Restricted	6,468,764	6,484,815
<b>Total Investments</b>	<b>\$ 25,620,645</b>	<b>\$ 24,909,445</b>

**Foundation**

The Foundation is incorporated as a Missouri not-for-profit organization organized under Chapter 355 of the Missouri revised Statutes, and as such, is not subject to the restrictions on investments of governmental subdivisions contained in Article 6, Section 23 of the Missouri Constitution. Specifically, not-for-profit corporations are not restricted under Missouri law from investing in corporate stock and similar investments.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of securities will be adversely affected by a change in interest rates. The Foundation's investment policy provides that the Foundation's investment pool may consist of fixed income securities with maturity dates not exceeding 10 years.



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Notes To Combined Financial Statements (*Continued*)

As of December 31, 2020 and 2019, the Foundation had the following investments and maturities:

	Fair Value	Investment Maturities (In Years)				No Maturity
		Less Than One	One To Five	Six To Ten		
<b>December 31, 2020</b>						
Investment type:						
U.S. Treasury	\$ 8,947,660	\$ 665,028	\$ 7,398,483	\$ 884,149	\$	—
U.S. Agencies	30,459	30,459	—	—		—
Taxable municipal bonds	27,979,190	2,260,814	13,910,159	11,808,217		—
Mutual funds	169,158,192	—	—	—		169,158,192
Other investments	16,560	—	—	—		16,560
<b>Total</b>	<b>\$ 206,132,061</b>	<b>\$ 2,956,301</b>	<b>\$ 21,308,642</b>	<b>\$ 12,692,366</b>	<b>\$</b>	<b>\$ 169,174,752</b>
<b>December 31, 2019</b>						
Investment type:						
U.S. Treasury	\$ 9,029,918	\$ 1,336,836	\$ 5,367,860	\$ 2,325,222	\$	—
U.S. Agencies	31,374	—	31,374	—		—
Taxable municipal bonds	22,876,597	537,731	17,020,769	5,318,097		—
Mutual funds	157,644,721	—	—	—		157,644,721
Other investments	5,682	—	—	—		5,682
<b>Total</b>	<b>\$ 189,588,292</b>	<b>\$ 1,874,567</b>	<b>\$ 22,420,003</b>	<b>\$ 7,643,319</b>	<b>\$</b>	<b>\$ 157,650,403</b>

As of December 31, 2020 and 2019, the Foundation has the following recurring fair value measurements:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Not Applicable
<b>December 31, 2020</b>				
Investment type:				
U.S. Treasury	\$ 8,947,660	\$ 8,947,660	\$ —	\$ —
U.S. Agencies	30,459	30,459	—	—
Taxable municipal bonds	27,979,190	—	27,979,190	—
Mutual funds	169,158,192	169,158,192	—	—
Other investments	16,560	—	—	16,560
<b>Total</b>	<b>\$ 206,132,061</b>	<b>\$ 178,136,311</b>	<b>\$ 27,979,190</b>	<b>\$ 16,560</b>
<b>December 31, 2019</b>				
Investment type:				
U.S. Treasury	\$ 9,029,918	\$ 9,029,918	\$ —	\$ —
U.S. Agencies	31,374	31,374	—	—
Taxable municipal bonds	22,876,597	—	22,876,597	—
Mutual funds	157,644,721	157,644,721	—	—
Other investments	5,682	—	—	5,682
<b>Total</b>	<b>\$ 189,588,292</b>	<b>\$ 166,706,013</b>	<b>\$ 22,876,597</b>	<b>\$ 5,682</b>

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Notes To Combined Financial Statements (*Continued*)

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's.

The Foundation's investment policy requires that the average credit quality of the portfolio of investments be maintained at AA or higher, and that corporate fixed income securities be limited to quality ratings of BBB or above, as rated by Moody's and/or Standard and Poor's. The policy dictates that split-rated issues in which one of the ratings is below investment grade are not permissible.

The following table lists the credit quality ratings per Moody's and/or Standard and Poor's of the Foundation's investments as of December 31, 2020 and 2019:

	Fair Value	Quality Ratings				
		AAA	AA+	AA	AA-	Unrated
<b>December 31, 2020</b>						
Investment type:						
U.S. Agencies	\$ 30,459	\$ —	\$ 30,459	\$ —	\$ —	\$ —
Taxable municipal bonds	27,979,190	9,072,590	6,017,940	12,104,283	784,377	—
Mutual funds	169,158,192	—	—	—	—	169,158,192
Other investments	16,560	—	—	—	—	16,560
<b>Total</b>	<b>\$ 197,184,401</b>	<b>\$ 9,072,590</b>	<b>\$ 6,048,399</b>	<b>\$ 12,104,283</b>	<b>\$ 784,377</b>	<b>\$ 169,174,752</b>
<b>December 31, 2019</b>						
Investment type:						
U.S. Agencies	\$ 31,374	\$ —	\$ 31,374	\$ —	\$ —	\$ —
Taxable municipal bonds	22,876,597	3,400,988	2,766,412	7,576,281	1,709,170	7,423,746
Mutual funds	157,644,721	—	—	—	—	157,644,721
Other investments	5,682	—	—	—	—	5,682
<b>Total</b>	<b>\$ 180,558,374</b>	<b>\$ 3,400,988</b>	<b>\$ 2,797,786</b>	<b>\$ 7,576,281</b>	<b>\$ 1,709,170</b>	<b>\$ 165,074,149</b>

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction for investments or a bank failure for deposits, the Foundation will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty or bank. The Foundation does not have a formal policy related to custodial credit risk of investments or deposits. At December 31, 2020 and 2019, \$19,163,646 and \$12,708,072, respectively, of the Foundation's bank balance was uninsured and uncollateralized, and thus exposed to custodial credit risk.



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Notes To Combined Financial Statements *(Continued)*

*Concentration Of Credit Risk*

As of December 31, 2020 and 2019, the Museum and Foundation's Investment Policy Statement includes an asset allocation with the following target investment allocations and a permissible variance for total asset classes of +/- 3% and for specific investment types of +/- 20%.

Asset Class	Target Allocation
Equity investments:	
US equity investments:	
Total market	11.50%
Large cap value	16.00%
Small cap market	7.00%
Small cap value	11.00%
REIT's	3.50%
International equity investments:	
International total world (x-US)	7.50%
International large value	5.00%
International small cap	8.50%
Fixed income investments	30.00%
Total	<u>100.00%</u>

At December 31, 2020 and 2019, the Foundation did not hold any investments that, individually, were greater than 5% of the Foundation's total investments. This excludes any U.S. Government backed securities and pooled funds.

Investments, which include \$20,164,689 and \$25,009,782 of certificates of deposit, are reported in the Foundation's accompanying statement of net position as of December 31, 2020 and 2019, respectively, as follows:

	2020	2019
Current investments:		
Unrestricted	\$ 3,449,000	\$ 7,471,777
Restricted	918,555	818,984
Noncurrent investments:		
Unrestricted	84,571,104	76,188,588
Restricted	137,358,091	130,118,725
Total Investments	<u>\$ 226,296,750</u>	<u>\$ 214,598,074</u>

### 3. Contributions Receivable

At December 31, 2020, the Foundation's contributions receivable are expected to be collected in the following year. An allowance for uncollectible amounts is reported for the years ending December 31, 2020 and 2019, of \$1,769 and \$4,055, respectively.

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Notes To Combined Financial Statements *(Continued)*

**4. Capital Assets**

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2020:

	Balance January 1, 2020	Additions And Reclassifications	Retirements And Reclassifications	Balance December 31, 2020
Capital assets not being depreciated:				
Construction in process	\$ —	\$ 429,470	\$ —	\$ 429,470
Capital assets being depreciated:				
Buildings and building improvements	174,194,922	840,086	—	175,035,008
Furniture, fixtures and equipment	3,127,542	184,292	—	3,311,834
Total capital assets being depreciated	177,322,464	1,024,378	—	178,346,842
Less accumulated depreciation for:				
Buildings and building improvements	(54,428,724)	(5,642,914)	—	(60,071,638)
Furniture, fixtures and equipment	(3,080,850)	(92,547)	—	(3,173,397)
Total accumulated depreciation	(57,509,574)	(5,735,461)	—	(63,245,035)
Total capital assets being depreciated, net	119,812,890	(4,711,083)	—	115,101,807
Capital assets, net	\$ 119,812,890	\$ (4,281,613)	\$ —	\$ 115,531,277

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2019:

	Balance January 1, 2019	Additions And Reclassifications	Retirements And Reclassifications	Balance December 31, 2019
Capital assets being depreciated:				
Buildings and building improvements	\$ 172,498,438	\$ 1,696,484	\$ —	\$ 174,194,922
Furniture, fixtures and equipment	3,192,855	46,731	(112,044)	3,127,542
Total capital assets being depreciated	175,691,293	1,743,215	(112,044)	177,322,464
Less accumulated depreciation for:				
Buildings and building improvements	(48,868,844)	(5,559,880)	—	(54,428,724)
Furniture, fixtures and equipment	(3,086,277)	(106,617)	112,044	(3,080,850)
Total accumulated depreciation	(51,955,121)	(5,666,497)	112,044	(57,509,574)
Total capital assets being depreciated, net	123,736,172	(3,923,282)	—	119,812,890
Capital assets, net	\$ 123,736,172	\$ (3,923,282)	\$ —	\$ 119,812,890



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Notes To Combined Financial Statements *(Continued)*

Depreciation expense for 2020 and 2019 was allocated to the following functions of the Subdistrict:

	2020	2019
Building operations and maintenance	\$ 5,615,931	\$ 5,531,924
Administration	96,076	111,114
Museum shop	23,454	23,459
	<u>\$ 5,735,461</u>	<u>\$ 5,666,497</u>

**5. Tax Revenue From The Zoo-Museum District**

Tax revenue from the Zoo-Museum District represents property tax revenues allocated to the Subdistrict from the following sources:

	2020	2019
City of St. Louis, Missouri	\$ 3,713,953	\$ 3,688,275
St. Louis County, Missouri	20,451,111	20,502,832
	<u>\$ 24,165,064</u>	<u>\$ 24,191,107</u>

**6. Noncurrent Liabilities**

During 2009, the Industrial Development Authority of the City of St. Louis, (the IDA) issued \$20,710,000 in Cultural Facilities Revenue Bonds (Series 2009A) with interest rates ranging from 2% to 5%. The bond proceeds were used to finance a portion of the costs of improvements to the Museum's existing 269,900 square foot facility, construction of an approximate 82,000 square foot expansion to the Museum's existing facility, and constructing an approximate 128,000 square foot, 300 space underground parking facility.

During 2016, the IDA issued \$20,015,000 in Cultural Facilities Refunding Revenue Bonds (Series 2016) to redeem the Series 2009A bonds. The bonds were scheduled to mature in 2040.

The Foundation redeemed the remaining \$9,630,000 balance of the Series 2016 bonds on February 1, 2019.

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Notes To Combined Financial Statements (*Continued*)

PNC Bank, National Association (the Purchaser), purchased the entire principal amount of the Series 2016 bonds pursuant to the terms of the Bond Trust Indenture dated as of December 1, 2016 (the Bond Indenture), between the Authority and UMB Bank, N.A. (the Bond Trustee). The Bonds are issued under the Bond Indenture for the purpose of making a loan to the Foundation pursuant to terms contained in the Loan Agreement dated as of December 1, 2016 (the "Loan Agreement"), between the Authority and the Foundation. The Loan Agreement required the Foundation to make payments on the loan in the amount of the interest and principal on the bonds. In order to provide revenues to the Foundation to make payments under the Loan Agreement, the Museum and Foundation entered into a Ground Lease, dated December 1, 2009, and amended December 1, 2016, pursuant to which the Museum leased certain of its real property, commonly known as the "South Wing" (the Leased Property) to the Foundation. The Foundation and the Museum entered into a Lease/Purchase Agreement, dated December 1, 2009, and amended December 1, 2016, (the Lease) pursuant to which the Foundation subleased the Leased Property to the Museum and the Museum agreed, subject to the availability of appropriations of funds therefore to pay Base Rentals (as defined in the Lease) in amounts sufficient for the Foundation to make the Loan Payments under the Loan Agreement.

Pursuant to these agreements, the capital assets and improvements are capitalized on the books of the Museum. Construction costs were funded by the transfer of funds from the Foundation to the Museum.

The annual interest rate for the bonds is equal to the sum of one month LIBOR Rate multiplied by 72% plus 100 basis points. The rate at January 1, 2019 was 2.80%.

The Series 2016 bonds subjected the Foundation to certain restrictions and covenants including refraining from taking any action which causes the interest on the bonds to be includable in gross income for federal income tax purposes, maintaining a ratio of the Foundation's and Museum's unrestricted net assets to total outstanding indebtedness of at least 1 to 1, furnishing audited financial statements to the bank and other restrictions and covenants. The Foundation further covenants that it will maintain its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Foundation was in compliance with these covenants as of January 1, 2019.

**Principal And Interest Requirements To Maturity**

At January 1, 2019, the balance of the Series 2016 bonds was \$9,630,000. The Foundation redeemed the \$9,630,000 balance on February 1, 2019. Bond interest paid in 2019 was \$22,516. No bond interest was capitalized in 2019.



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Notes To Combined Financial Statements (*Continued*)

Following is a summary of the changes in noncurrent liabilities of the Subdistrict for the year ended December 31, 2020. Refer to Note 9 for descriptions of the net pension liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Deferred rental deposit	\$ —	\$ 5,000	\$ —	\$ 5,000	\$ —
Deferred compensation	2,149,749	305,997	—	2,455,746	1,907,359
	\$ 2,149,749	\$ 310,997	\$ —	\$ 2,460,746	\$ 1,907,359

Following is a summary of the changes in noncurrent liabilities of the Subdistrict for the year ended December 31, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Deferred compensation	\$ 1,832,772	\$ 316,977	\$ —	\$ 2,149,749	\$ —

Deferred compensation is included in other liabilities - current and noncurrent in the statement of net position.

Following is a summary of the changes in noncurrent liabilities of the Foundation for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Obligations under split-interest agreements	\$ 301,009	\$ 60,532	\$ (57,341)	\$ 304,200	\$ 57,341

Following is a summary of the changes in noncurrent liabilities of the Foundation for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Series 2016 Revenue Bonds	\$ 9,630,000	\$ —	\$ (9,630,000)	\$ —	\$ —
Obligations under split-interest agreements	355,909	11,149	(66,049)	301,009	57,341
	\$ 9,985,909	\$ 11,149	\$ (9,696,049)	\$ 301,009	\$ 57,341

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Notes To Combined Financial Statements (*Continued*)

**7. Operating Lease Commitments**

In 2011, the Subdistrict entered into an operating lease agreement for warehouse space which began February 2011 and ended January 31, 2016. The first amendment to this lease dated October 20, 2015 extended the lease through January 31, 2021, and the second amendment to this lease dated November 20, 2020 extended the lease through February 28, 2026. The amount of base rent and additional rent for common areas is estimated at the maximum rate allowed under the contract. Property taxes owed for the rental space are proportionate to the square footage rented and utility costs are separately contracted by the Subdistrict.

For additional storage, the Subdistrict entered into an art storage agreement at another warehouse on November 1, 2020 which ends on October 31, 2025. The amount of base rent is at a set price per square foot of storage.

The Subdistrict also has three equipment leases for the use of printers and copiers at the Museum offices.

For the years ended December 31, 2020 and 2019, the Subdistrict incurred total operating expenses under leases of \$186,289 and \$115,974, respectively.

The future minimum lease payments required on the warehouse storage leases include an estimate for additional rent and taxes due under the terms of the agreements. The future minimum lease payments required on the leases are as follows:

<u>Year</u>	<u>Warehouse Storage</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 176,033	\$ 23,244	\$ 199,277
2022	190,836	5,094	195,930
2023	195,756	3,217	198,973
2024	200,796	3,217	204,013
2025	194,214	3,217	197,431
Thereafter	22,880	—	22,880
	<u>\$ 980,515</u>	<u>\$ 37,989</u>	<u>\$ 1,018,504</u>

**8. Split-Interest Agreements**

The Foundation administers gift annuities subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiaries during their lifetimes. Assets held under these split-interest agreements are included in investments and long-term investments. Contribution revenue is recorded at the inception date of each split-interest agreement, net of the related obligation under split-interest agreement, which is recorded at present value utilizing interest rates ranging between 4.5% and 10.9%, for estimated future payments to be made to the donors or designated beneficiaries during their lifetimes. The obligations under split-interest agreements are adjusted over the term of the agreements for changes in the fair value of the assets, accretion of the discount, and other changes in estimates of future benefits.



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Notes To Combined Financial Statements (*Continued*)

**9. Retirement Plans**

**General Information About The Pension Plan**

*Plan description.* The Employees Retirement System of the City of St. Louis (the System) is a cost-sharing multiple-employer public employee's retirement system for nonuniformed employees of the City of St. Louis and certain other public entities funded by, or providing services to, residents of the City of St. Louis. All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the System upon employment with the exception of employees hired after attaining age 60. The System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

*Benefits provided.* The System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest with employees covered by the System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted accordingly to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30, for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.



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Notes To Combined Financial Statements (*Continued*)

*Contributions.* The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. Deductions from plan assets are financed from plan additions.

The Board of Trustees established the required employer contributions rate based on active member payroll of 13.11% and 12.18% effective July 1, 2020 and 2019, respectively. Employees who became members of the System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year. The Subdistrict's contributions to the System for the year ended December 31, 2020 and 2019 were \$1,558,331 and \$1,421,231, respectively.

**Pension Liabilities, Pension Expense, And Deferred Outflows Of Resources And  
Deferred Inflows Of Resources Related To Pensions**

At December 31, 2020 and 2019, the Subdistrict reported a liability of \$14,024,362 and \$10,353,911, respectively, as its proportionate share of the net pension liability. The net pension liability was measured as of October 1, 2020 and October 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Subdistrict's proportion of the net pension liability was based on the Subdistrict's contributions relative to the contributions of all participating employers for the System's plan year ended September 30, 2020 and September 30, 2019. At September 30, 2020 and 2019, the Subdistrict's proportion was 4.941% and 4.756%, respectively, which was an increase (decrease) of 0.19% and (0.26%) from its proportion measured as of September 30, 2019 and 2018, respectively.



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Notes To Combined Financial Statements (*Continued*)

For the year ended December 31, 2020 and 2019, the Subdistrict recognized pension expense of \$2,995,182 and \$2,459,051, respectively, which includes \$1,558,331 and \$1,421,231 of the Subdistrict's contributions to the System for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the Subdistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Net Deferred Outflows Of Resources
Differences between expected and actual experience	\$ 219,710	\$ 219,710
Changes of assumptions	1,494,052	1,494,052
Net difference between expected and actual earnings on pension plan investments	2,001,967	2,001,967
Changes in Subdistrict's proportion and differences between Subdistrict contributions and Subdistrict's proportionate share of contributions	411,942	411,942
Subdistrict contributions subsequent to the measurement date of October 1, 2020	414,785	414,785
	<u>\$ 4,542,456</u>	<u>\$ 4,542,456</u>

At December 31, 2019, the Subdistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources	Net Deferred Outflows Of Resources
Differences between expected and actual experience	\$ 22,627	\$ 194,598	\$ (171,971)
Net difference between expected and actual earnings on pension plan investments	1,635,719	—	1,635,719
Changes in Subdistrict's proportion and differences between Subdistrict contributions and Subdistrict's proportionate share of contributions	458,785	—	458,785
Subdistrict contributions subsequent to the measurement date of October 1, 2019	367,514	—	367,514
	<u>\$ 2,484,645</u>	<u>\$ 194,598</u>	<u>\$ 2,290,047</u>

Deferred outflows of resources of \$414,785 and \$367,514 resulting from Subdistrict contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2021 and 2020, respectively.

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Notes To Combined Financial Statements (*Continued*)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Subdistrict's fiscal year following the System's fiscal year as follows:

Year	Net Deferred Outflows Of Resources
2021	\$ 1,621,631
2022	1,720,980
2023	636,086
2024	148,974
	\$ 4,127,671

*Actuarial assumptions.* The total pension liability in the September 30, 2020 actuarial valuations, which is also the date of measurement for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.5%
Salary increases	2.5% annually, average, plus merit component based on employee's years of service (range from 2.5% to 4.55%)	
Investment rate of return		7.25% net of investment expense
Mortality rates - active	135% of the Pub-2010 General Employee below-median income mortality table for males and 155% for females projected with generational mortality improvements from 2010 using Scale MP-2019	
Mortality rates - healthy	125% of the Pub-2010 General Retiree below-median income mortality table for males and 120% for females projected with generational mortality improvements from 2010 using Scale MP-2019	
Mortality rates - disabled	120% of the Pub-2010 Non-Safety Disabled Retiree mortality table for males and 110% for females projected with generational mortality improvements from 2010 using Scale MP-2019	

The total pension liability in the September 30, 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.5%
Salary increases	3.0% annually, average, plus merit component based on employee's years of service (range from 3.0% to 4.25%)	
Investment rate of return		7.50% net of investment expense
Mortality rates - healthy	RP-2000 Healthy Mortality 3-year set-forward with generational projections using Scale AA	
Mortality rates - disabled	RP-2000 Healthy Mortality 3-year set-forward with generational projections using Scale AA	



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Notes To Combined Financial Statements *(Continued)*

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the last capital market assumptions. Specifically, the System uses Marquette Associates' capital market assumption in analyzing the System's asset allocation.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to the expected long-term real return and reflecting expected volatility and correlation.

The target allocation and best estimate of the geometric rate of return for each major asset class are summarized in the following table:

Asset Class	2020		2019	
	Target Allocation	Long-Term Expected Real Rate Of Return	Target Allocation	Long-Term Expected Real Rate Of Return
Large cap	25.00%	7.27%	25.00%	7.27%
Mid cap	7.50%	7.60%	7.50%	7.60%
Small cap	7.50%	7.90%	7.50%	7.90%
International large cap	12.00%	7.47%	12.00%	7.47%
Emerging markets	3.00%	8.10%	3.00%	8.10%
Fixed income	10.00%	3.30%	10.00%	3.30%
Bank loans	5.00%	6.10%	5.00%	6.10%
International fixed income	5.00%	5.80%	5.00%	5.80%
Core real estate	10.00%	6.60%	10.00%	6.60%
Infrastructure	5.00%	7.50%	5.00%	7.50%
Private equity	5.00%	10.80%	5.00%	10.80%
Hedge funds	5.00%	6.70%	5.00%	6.70%
Total	<u>100.00%</u>		<u>100.00%</u>	

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Notes To Combined Financial Statements (*Continued*)

*Discount rate.* The discount rate used to measure the total pension liability was 7.25% and 7.50% as of September 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from System members will be made at the current contribution rate. Based on these assumptions, the System's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of investment expenses but without reduction for administrative expenses.

*Sensitivity of the Subdistrict's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Subdistrict's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Subdistrict's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Subdistrict's proportionate share of the net pension liability as of December 31, 2020	\$ 19,450,652	\$ 14,024,362	\$ 9,406,934
Subdistrict's proportionate share of the net pension liability as of December 31, 2019	\$ 15,052,901	10,353,911	\$ 6,327,858

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

**Payables To The Pension Plan**

The Subdistrict did not report any payables to the System for 2020 or 2019.

**Deferred Compensation**

The Subdistrict maintains deferred compensation plans for the purpose of providing deferred compensation to a select group of current and previous key employees. The plans require the Subdistrict to establish a Reserve Account and make annual distributions based upon terms of the deferred compensation agreements. The balance of the Reserve Account and the corresponding other liabilities accounts at December 31, 2020 and 2019 was \$2,455,746 and \$2,149,749, respectively.



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Notes To Combined Financial Statements (*Continued*)

**403 (b) Plan**

The Subdistrict offers its employees the ability to save for retirement through an optional 403(b) plan. The plan was created in accordance with Internal Revenue Code Section 403(b). The plan is fully funded by the employees that have chosen to participate, no contributions are made by the Subdistrict.

**10. Risk Management**

The Subdistrict and the Foundation are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; theft of, damage to, and destruction of collections; errors and omissions; injuries to employees; and natural disasters. The Subdistrict and Foundation purchase commercial insurance for these risks of loss. Settled claims did not exceed commercial coverage in the past three years.

**11. Tax Abatements**

The Subdistrict recognizes tax revenue based on an allocation of property taxes levied and collected by the Zoo-Museum District. The Zoo-Museum District levies and collects property taxes on behalf of the Subdistricts based on the assessed valuation of property in the City of St. Louis, Missouri (the City) and St. Louis County, Missouri (the County). Both the City and the County have entered into property tax abatement agreements with local businesses under various state statutes. Under these state statutes, the City and the County may grant property tax abatements for the purpose of attracting or retaining businesses within their jurisdictions. The Subdistrict's allocated revenues were reduced under these agreements entered into by the City and the County. City property tax allocated revenues were reduced by approximately \$512,000 for 2019, for taxes assessed on January 1 and payable by December 31 of the same year. County property tax allocated revenues were reduced by approximately \$266,200 and \$204,500 for 2020 and 2019, respectively, for taxes assessed on January 1 and payable by December 31 of the same year. Information regarding the City property tax allocated revenue reduction for 2020 is unavailable.

**12. Subsequent Events**

Management has evaluated subsequent events through March 29, 2021, the date which the financial statements were available for use.

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**Required Supplementary Information**

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**SCHEDULES OF SELECTED PENSION INFORMATION  
EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS**

**Schedule Of Subdistrict's Proportionate Share Of The Net Pension Liability**

Plan Year	2020	2019	2018	2017	2016	2015
Subdistrict's proportion of the net pension liability	4.9411%	4.7566%	4.5009%	4.2066%	3.9538%	3.7971%
Subdistrict's proportionate share of the net pension liability	\$ 14,024,362	\$ 10,353,911	\$ 7,614,931	\$ 7,307,481	\$ 8,273,109	\$ 8,624,107
Subdistrict's covered-employee payroll	12,194,135	11,505,845	10,865,298	10,136,866	9,429,227	9,830,362
Subdistrict's proportionate share of net pension liability as a percentage of its covered-employee payroll	115.01%	89.99%	70.08%	72.09%	87.74%	87.73%
Plan fiduciary net position as a percentage of the total pension liability	73.80%	78.60%	83.00%	82.46%	78.52%	76.22%

**Schedule Of Subdistrict's Contributions**

Fiscal Year	2020	2019	2018	2017	2016	2015
Required contribution	\$ 1,558,331	\$ 1,421,231	\$ 1,347,676	\$ 1,272,100	\$ 1,248,391	\$ 1,386,774
Contributions in relation to the required contribution	1,558,331	1,421,231	1,347,676	1,272,100	1,248,391	1,386,774
Subdistrict's covered-employee payroll	12,347,578	11,274,213	11,328,949	10,357,551	9,528,783	9,581,296
Contributions as a percentage of covered-employee payroll	12.62%	12.61%	11.90%	12.28%	13.10%	14.47%

Note: The Subdistrict implemented GASB 68 for the year ended December 31, 2015. Years will be added to these schedules in future years until 10 years of information is provided.

**Changes Of Benefit Terms Or Assumptions**

There were no changes to benefit terms in the plan in 2020.

There were changes to the actuarial assumptions based on an experience study performed for the period from October 1, 2014 through September 30, 2019. See the actuarial assumptions for 2020 and 2019 at Note 9.